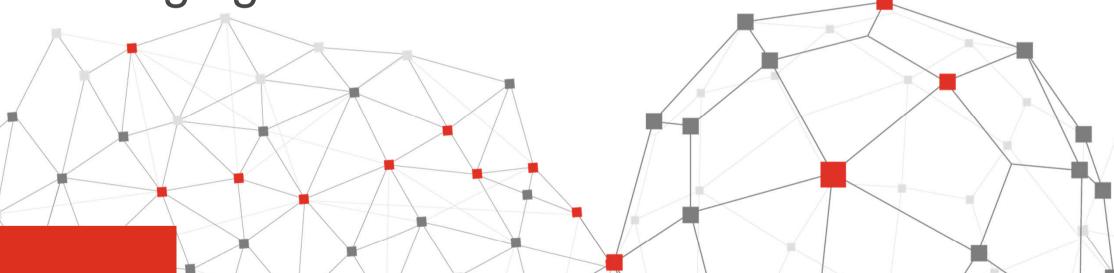
CA Professionals Vishwa Setu

- By Sumit Seth

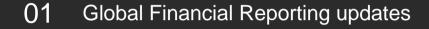
Global Reporting Initiatives – Emerging Trends



November 2020

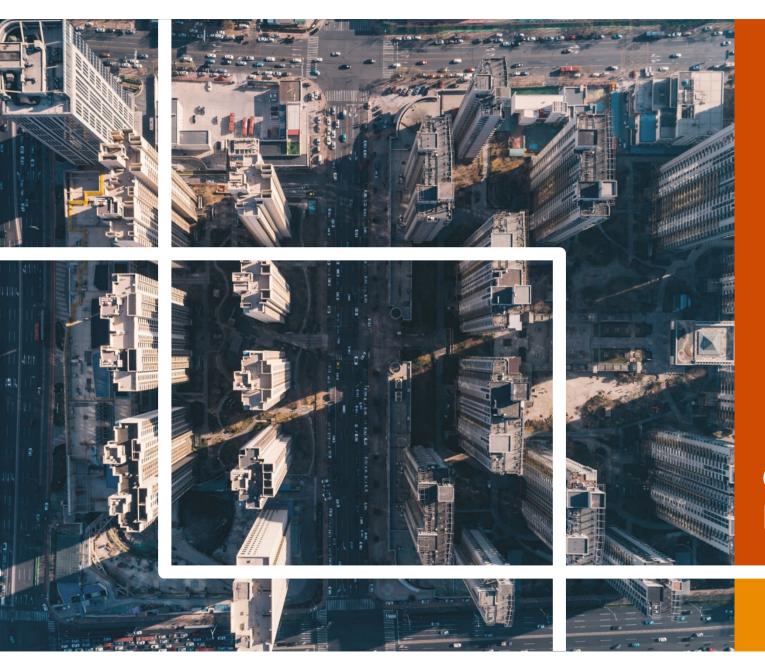


Global Reporting Initiatives – Emerging Trends



- O2 Global Audit Reporting updates
- Review and Comments from Global Regulators
- 04 ESG Reporting
- 05 Opportunities For Our CAs



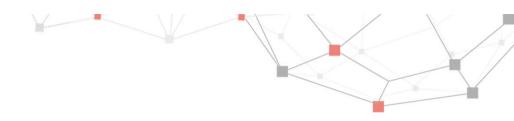


Global Financial Reporting Updates

Recently issued Key IFRS standards and reporting updates

IFRIC 23 Uncertainty over Definition of a Business **IFRS 16 Leases Income Tax Treatments** Interest Rate Benchmark Applying IFRS Standards in Reform **Definition of Material** 2020 — impact of covid-19







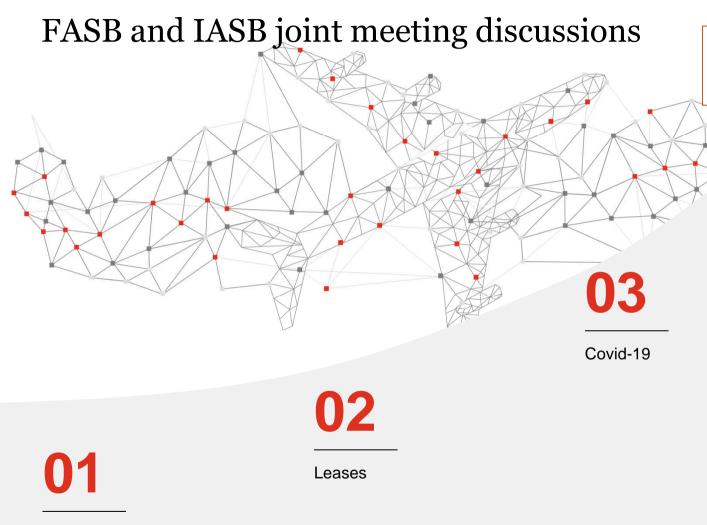
Standard setting and research projects

- Business Combinations Disclosures, Goodwill and Impairment (DP)
- General Presentation and Disclosures (ED)
- Business Combinations under Common Control (RP)
- Financial Instruments with Characteristics of Equity (DP)
- Sustainability Reporting (CP)
- Management Commentary (PS)
- Post-implementation Review
 - ✓ FRS 9—Classification and Measurement
 - ✓ IFRS 10, IFRS 11 and IFRS 12



Interpretations Committee Agenda Decisions

- Supply Chain Financing Arrangements— Reverse Factoring
- Leases
 - ✓ Sale and Leaseback with Variable Payments
 - Lease Term and Useful Life of Leasehold Improvements
 - ✓ Sale and Leaseback of an Asset in a Single-Asset Entity (IFRS 10 and IFRS 16)



The IASB held a remote joint meeting with the Financial Accounting Standards Board (FASB) on 19 November 2020. The topics of discussion, were:

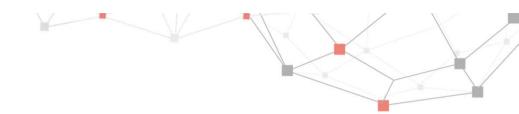
04

Supply chain financing

Goodwill and Impairment







Key Audit Matters

Critical Audit Matters

ISA 720 The Auditor's Responsibilities Relating to Other Information

IAASB Assists with Audit Considerations for the Impact of COVID-19

ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures

Fraud and Going Concern (DP)

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

Population Overview						
Fiscal year	# Opinions	# KAMs	Average # of KAMs			
2016	1,810	5,031	2.78			
2017	3,463	8,806	2.54			
2018	3,812	9,316	2.44			
2019	3,673	9,231	2.51			
2020*	290	838	2.89			
Total	13,048	33,222	2.63			



Classification

Simple Topic	# of KAMS	% of Total
Asset Impairment and Recoverability	2,234	24.2%
Revenue and Other Income	1,585	17.2%
Valuation of Investments (including Fair Value)	930	10.1%
Going Concern	599	6.5%
Income Taxes	414	4.5%
Inventory	395	4.3%
Business Combinations	339	3.7%
Subsidiary/Affiliate	293	3.2%
Contingent Liabilities (including Litigation & Restructuring)	288	3.1%
Policy Changes	224	2.4%

Audit Analytics has done an analysis of the key audit matters (KAMs) published in 2019, highlighting the key trends they've seen. Source: https://www.auditanalytics.com/

Critical Audit Matters - US PCAOB Interim Analysis Report

This report provides insights and the perspectives of the Public Company Accounting Oversight Board (PCAOB) on the initial impact of critical audit matters (CAM) requirements on key stakeholders in the audit process

KEY FINDINGS FROM STAFF ANALYSES

- Audit firms made significant investments to support initial implementation of the CAM requirements
- Investor awareness of CAMs communicated in the auditor's report is still developing, but some investors are reading CAMs and find the information beneficial



Most Frequently Communicated CAMs

Audit reports filed as of October 8, 2020, for issuers with fiscal year ends ranging between June 30, 2019 and June 29, 2020
Sources: SEC's EDGAR system and PCAOB Office of Economic and Risk Analysis



Financial Reporting Council (FRC)

On 20th October 2020, the FRC has published its Annual Review of Corporate Reporting, which reveals it's 'top 10' areas where improvements to reporting quality are needed so users of accounts have a clearer understanding of company performance and position

- 1 Judgements and Estimates
- 2 Impairment of Assets
- 3 Revenue from Contracts with Customers
- 4 Financial Instruments
- 5 Alternative Performance Measures (APMs)
- 6 Strategic Report
- 7 Statement of Cash Flows

- 8 Provisions and Contingencies
- 9 Fair Value Measurement
- 10 Business Combinations

In the last year, the FRC reviewed the companies accounts. Below it the outcome of their review



Companies Accounts reviewed Companies received enquiry on their accounts

14

Companies are required to restate their accounts

US SEC comment letter themes

	Current Period (10/1/2019 – 9/30/2020)*	Relative change in number of letters compared to the Prior Period*
1	Non-GAAP measures	←→
2	Revenue recognition	•
3	Management's discussion and analysis	<u></u>
4	Segment reporting	1
5	Form compliance and exhibits	←→
6	Fair value measurement	•
7	Disclosure controls and ICFR	←→
8	Goodwill and other intangibles	\(\)
9	Business combinations	←→
10	Debt, quasi-debt, warrants and equity	←→

*This analysis was performed based on topical areas assigned by research firm Audit Analytics for comment letters publicly issued in the 12 months ended September 30, 2020 ("Current Period") and the 12 months ended September 30, 2019 ("Prior Period") in relation to Form 10-K and Form 10-Q filings. Total comment letters evaluated during the Current Period and Prior Period were approximately 840 and 1,050, respectively. In addition, it is noted that the overall comment letter trends remained relatively consistent with the 12 months ended June 30, 2020

The relative number of comment letters has increased.

The relative number of comment letters has decreased.

The relative number of comment letters has not changed significantly.



What is Environmental, Social and Governance Reporting (ESG)?

ESG is on the minds of many investors today. It can represent risks and opportunities that will impact a company's ability to create long-term value

Environmental pillar			Social pillar			Governance pillar			
Climate change	Natural resources	Pollution & waste	Environment opportunity	Human capital	Product liability	Stakeholder opposition	Social opportunity	Corporate governance	Corporate behavior
Carbon emissions	Water stress	Toxic emissions & waste	Opportunities in clean tech	Labor management	Product safety & quality	Controversial sourcing	Access to communication	Board diversity	Business ethics
Product carbon footprint	Biodiversity & land use	Packaging material & waste	Opportunities in green building	Health & safety	Chemical safety		Access to finance	Executive pay	Anti-competitive practices
Financing environmental impact	Raw material sourcing	Electronic waste	Opportunities in renewable energy	Human capital development	Financial product safety		Access to health care	Ownership	Corruption & instability
Climate change vulnerability				Supply chain labor standards	Privacy & data security		Opportunities in nutrition & health	Accounting	Financial system instability
Source: MSCI ESG un	harra				Responsible investment				Tax transparency
Source. WSGI ESG driverse					Health & demo. risk				

Why ESG? A value creation approach

the foundation of the business case

Driving value for all stakeholders including shareholders Manage risks **Drive growth** Reduce costs **Enhance reputation Minimize impacts** Be a force for good "How can social and "How can a "How do we build "How do we fulfill "How can we use "How can we operate sustainability strategy environmental trends our business more resilience to our obligation to our business to help us differentiate efficiently, realizing help enhance our business operate responsibly, drive positive our products and efficiencies across reputation with disruptions caused both from an environmental and increase our market by climate change and environmental and social change?" all the inputs to our customers. share?" resource scarcity?" social perspective?" operations from employees, electricity use investors and to travel?" analysts?" Identifying sources of value to the business is Value to society pays back to the business

Value to the business

in the medium- to long-term

Understanding ESG reporting and where to start

Consistent & comparable

Investors are pushing for enhanced ESG disclosures, but standards are still forming

- Benchmark your reporting
- Investor engagement
- Managing competing frameworks
- Identify frameworks, principles and standards - focus on industry agnostic to start and then sector based material topics and reporting trends]



Control environment

Taking a close look at whether your disclosures are "investment grade"

- Disclosure Committee reviews
- Internal Audit engagement
- Accounting policies for KPIs
- Process documentation and controls design
- Technology investment



Risks – spotlight on climate

Climate risk is increasingly a focus across industries and across companies

- Cross-functional teams
- Prioritize climate risk dimensions
- Scenario analysis to quantify risks
- Working groups on insights and resilience plans



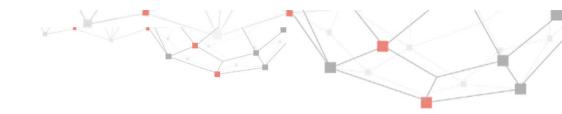
Deliver Growth

Integration of ESG to inform business strategy, considers long term implications and includes the value chain

- ESG risks & opportunities inform business strategy
- Extend ESG across the value chain
- Invest in capabilities across functional areas
- Formalized governance, high level Board and Leadership engagement







Opportunities for CAs

Collaboration between Indian and other Global institutes

Convergence of Accounting Standards

Alignment of Auditing standards

Indian companies having global operations

Access to oversees markets

Global companies having operations in India

Opportunities on ECG reporting

Thank you